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INFO RHEHNSC/WHITE HOUSE NATIONAL SECURITY COUNCIL WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC

C O N F I D E N T I A L STATE 124988

SIPDIS

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TAGS: [EFIN](#) [ETTC](#) [PGOV](#) [PREL](#) [PTER](#) [IR](#) [SY](#)  
SUBJECT: DEMARCHE ON SYRIAN-IRANIAN JOINT BANKING VENTURE

REF: DAMASCUS 728

Classified By: NEA - Jeffrey Feltman, reasons 1.4(b,d)

11. (U) This is an action request: see paragraph 4.

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Summary  
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12. (C) Media reports from September 30, 2009, indicated the Syrian Central Bank issued a license for the formation of a new bank called Aman Bank (originally called the Syrian-Iranian Commercial Bank (SICB)) (reftel). Aman Bank constitutes a joint venture between the Commercial Bank of Syria (CBS) - which is the subject of an action by the United States under Section 311 of the USA PATRIOT Act for terrorist financing concerns -- and Iran's Bank Saderat, which has been identified by the U.S., United Nations, Australia and European Union for involvement in terrorist financing and/or proliferation financing activities. The licensing of Aman Bank, and CBS' relationship with Bank Saderat, represent a significant obstacle to future discussions between Syria and United States on anti-money laundering and countering the financing of terrorism (AML/CFT) matters, including dialogue relating to the Section 311 action. Representatives of the SARG have indicated in recent discussions in Washington that they are interested in exploring ways to have the Section 311 action withdrawn. Embassy is requested to demarche relevant government officials to communicate the points below and report responses via front channel cable. End summary.

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Objectives  
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13. (C) In meetings with the appropriate Syrian government officials, Post should pursue the following objectives:

- Convey U.S. concerns about Aman Bank, to include possible Treasury Department action.
- Explain that Syrian partnerships with any designated Iranian banks would preclude U.S. engagement on the Section 311 action against CBS.
- Persuade the SARG to revoke Aman Bank's license to operate in Syria.

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Action Requests  
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14. (SBU) Post is requested to use the following points in demarching the SARG on Aman Bank, drawing, as needed, from the background in paras 8-11.

15. (SBU) Begin Points:

- During Vice Foreign Minister Miqdad's September 29 meeting in Washington, we discussed the need for engagement on the 311 action against Commercial Bank of Syria (CBS).
- At that time, Treasury DAS Glaser expressed concern over reports that CBS was embarking on a joint venture with the Iranian Bank Saderat -) a bank that has been internationally condemned for its role in financing terrorism and weapons proliferation activities.
- Emphasize that this Administration, in the spirit of engagement, has chosen to privately raise our concerns over Aman Bank again. However, our Treasury Department's regulatory responsibility will require it to take public action soon unless the Syrian government revokes the Aman Bank license.
- On September 30, 2009, media reports announced the Syrian Central Bank had issued a license for a joint venture between CBS and Bank Saderat, to be called Aman Bank.
- Bank Saderat has been:
  - designated by the United States under E.O. 13224 in October 2007 for its role in terrorist financing;
  - specifically identified by the United Nations for proliferation-related concerns in March 2008 in UNSCR 1803;
  - subjected to special enhanced regulatory measures by the European Union for proliferation-related concerns in August 2008; and,
  - designated by Australia for proliferation-related concerns in October 2008.
- Point to Financial Action Task Force (FATF) statements, including the most recent statement in October 2009, calling upon countries to take effective counter-measures to protect their financial institutions from the terrorist financing and money laundering risks emanating from Iran.
- Point to the February 2009 FATF statement highlighting Iranian attempts to open bank branches or subsidiaries abroad as a particular risk.
- The proposed partnership between CBS and Bank Saderat is a step in the opposite direction of recent reforms in the Syrian banking and financial sector )- and seems inconsistent with current Syrian economic policy.
- The CBS-Saderat relationship not only deepens our concern about the Commercial Bank of Syria, but sends the wrong message about the Syrian government's seriousness in addressing AML/CFT matters.
- The U.S. could not begin discussions on the Section 311 rule currently in force against Commercial Bank of Syria while the joint venture with Bank Saderat is proceeding with Syrian government support. Similar Syrian banking relationships with any other designated Iranian banks would also preclude U.S. engagement on CBS.
- Further, the U.S. Treasury Department has a regulatory responsibility to issue a public warning to U.S. financial institutions regarding the establishment of Aman Bank. Although directed only to U.S. financial institutions, this notice will be in the public domain. As such, it may draw negative international attention to both the Syrian banking sector as well as U.S.-Syrian relations.
- The Treasury Department would not be required to issue the public advisory notice, however, if the Aman Bank license were revoked.
- Explain that the U.S. would view revocation of the Aman Bank license as removing an important obstacle to renewed

U.S. engagement on CBS.

End points.

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Action Deadlines  
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¶6. (U) Please report Syrian responses to NEA/ELA Desk Officer Andy Abell and Treasury/TFFC Policy Advisor Hagar Hajjar as soon as possible after delivery of this demarche.

¶7. (C) If the SARG does not revoke the formal license granted to Aman Bank, Treasury intends to issue an advisory to U.S. financial institutions.

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Background  
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¶8. (C) According to media reports of September 30, 2009, the Central Bank of Syria granted a formal license to establish Aman Bank. The shareholders listed include Bank Saderat of Tehran (25 percent), Commercial Bank of Syria (25 percent), Ghadir Investment Company of Tehran (16 percent), Khalil Sultan al-Abed, Syrian agent for Iran Khodro, an Iranian car manufacturing company, (5 percent), with the remaining 29 percent to be offered through a public offering. Post reporting from May 2009 on a SARG license issued to shareholders in the Syrian-Iranian Commercial Bank (SICB) corroborated this financing scheme.

¶9. (U) On October 25, 2007, Bank Saderat was designated by the U.S. as a Specially Designated Global Terrorist (SDGT) pursuant to E.O. 13224 for the support the bank provided to Hizballah, Hamas and Palestinian Islamic Jihad (PIJ). Between 2001 and 2006, Bank Saderat transferred USD 50 million from the Central Bank of Iran through Bank Saderat's subsidiary in London to its branch in Beirut for the benefit of Hizballah fronts that support acts of violence. Hizballah also used Bank Saderat to send funds to other terrorist organizations, including Hamas, which itself had substantial assets deposited in Bank Saderat as of early 2005. (See [www.treas.gov/press/releases/hp644.htm](http://www.treas.gov/press/releases/hp644.htm) for the press release accompanying the designation). The U.S. is not alone in its concern over Bank Saderat's role in Iran's illicit activities -- Saderat was singled out by the UN in UN Security Council Resolution (UNSCR) 1803, issued on March 3, 2008, for its involvement in proliferation sensitive nuclear activities. The EU followed suit in issuing its common position on Iran on August 7, 2008, asking member states to exercise vigilance over all Iranian banks, and Bank Saderat in particular. Finally, Australia designated Bank Saderat on October 15, 2008, citing the bank's role in supporting Iran's nuclear program.

¶10. (U) The FATF\*--the world's premier standard-setting body for combating money laundering and terrorist financing--has issued seven statements on the terrorist financing and money laundering risks emanating from Iran. In February 2009, the FATF issued a statement calling on all jurisdictions to take countermeasures to address these risks and advised jurisdictions to take these risks into account when considering requests by Iranian institutions to open branches or subsidiaries, given the potential they could be used to evade sanctions. (See [www.fatf-gafi.org](http://www.fatf-gafi.org) for the full statement.) The October 2009 FATF statement goes further, warning that FATF will recommend more stringent countermeasures if Iran fails to take action by February 2010. The measures proposed by FATF are intended to provide countries with guidance on combating the threat from Iran in addition to fulfilling obligations imposed by the three Iran-related UNSCRs (1737, 1747, 1803).

¶11. (C) On March 9, 2006, Treasury finalized its proposed rule against the Commercial Bank of Syria, along with its subsidiary, the Syrian Lebanese Commercial Bank under Section 311 of the USA PATRIOT Act. The rule was the finalization of

a proposed rule issued on May 11, 2004. (See the proposed rule and final rule at: [www.fincen.gov](http://www.fincen.gov)) The Treasury Department found CBS to be a financial institution of "primary money laundering concern" and the final rule prohibits U.S. financial institutions from opening or maintaining any correspondent accounts involving CBS. The proposed and final rules are based in part on CBS's significant involvement in criminal money laundering, including laundering proceeds from the illicit sale of Iraqi oil, and support for terrorist groups. In a September 29, 2009 interagency meeting, Syrian Vice Foreign Minister Faisal Miqdad indicated Syria's interest in opening discussions on withdrawing the Section 311 rule in effect for CBS.

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